

City Council

Special Meeting Minutes

**October 10, 2017
Library Meeting Room
950 Spruce Street
6:00 PM**

Call to Order – Mayor Pro Tem Lipton called the meeting to order at 6:00 p.m.

Roll Call was taken and the following members were present:

City Council: ***Mayor Robert Muckle (arrived 6:06 pm)***
 Mayor Pro Tem Jeff Lipton
 Councilmember Jay Keany
 Councilmember Susan Loo
 Councilmember Dennis Maloney
 Councilmember Ashley Stolzmann

Absent: ***Councilmember Chris Leh***

Staff Present: ***Heather Balser, Interim City Manager***
 Kevin Watson, Finance Director
 Joe Stevens, Director of Parks & Recreation
 Ember Brignull, Open Space Manager
 Meredyth Muth, City Clerk

APPROVAL OF AGENDA

Mayor Pro Tem Lipton called for changes to the agenda and hearing none, moved to approve the agenda, seconded by Councilmember Maloney. All were in favor. Absent: Mayor Muckle and Councilmember Leh.

DISCUSSION/DIRECTION 2018 BUDGET OPEN SPACE & PARKS FUNDING POLICY

Interim City Manager Balser stated this is a continuation of the September 26 meeting focusing on the Open Space & Parks Fund and how to address the funding and the reserve policy in preparation for the budget public hearing on October 17.

Director Watson noted the current fund in the Open Space & Parks Fund does not generate enough to cover operating expenses. The capital expenditure deficits range

from \$2M to \$500K for 2017 – 2021. Some of this is from the \$2M open space acquisition in 2017. No acquisitions are budgeted for 2018 and later.

Councilmember Stolzmann noted the capital costs from the Open Space & Parks Fund could be paid from the General Fund. Director Watson agreed; it is simply a way to record it.

Director Watson stated if we keep the same budgeting for 2018 and beyond with no transfers from the General Fund, the deficit will accumulate dramatically.

He noted options for funding the deficit; adding it is easier for the General Fund to have a standard recurring transfer so it is predictable and can be budgeted for. Doing this would keep the fund balance at the minimum balance required. Each year the Council could determine if they want to transfer more or less depending on the needs that year. There are many ways to do it; City Council just needs to determine how to do this.

Councilmember Loo asked if we don't fund everything out of the Open Space & Parks Fund how will we know what qualifies as an Open Space & Parks Fund project and what doesn't. Director Watson stated in the past we have funded whatever we reasonably could out of Open Space & Parks Fund, then the City looks to other sources for anything above that.

Councilmember Loo noted she is frustrated in how items are determined to be eligible for the Open Space & Parks Fund; it appears subjective. Director Stevens stated it is probably somewhat subjective; we make judgements on each project to determine if it fits in the fund.

Councilmember Maloney stated this is about funding deficits, not programmatic issues. City Council needs to keep the conversation focused on understanding what the expenses should be and what should be the transfer from the General Fund. When we set the budget, we decided all of these expenditures are necessary. Every year we need to address the programmatic issues and decide what is necessary or not. He noted it is hard to set a policy now for future budgets.

Councilmember Maloney asked if we need to make cuts in the program to address some of the deficit. Councilmember Stolzmann stated that is something to discuss when we do the next biennial budget, but we need a policy now.

Councilmember Stolzmann liked the idea of covering the operational deficit from the General Fund. She stated it was never intended that the tax be the only funding for open space and parks. She suggested continuing to support parks from the General Fund by using the 2007 levels (adjusted for inflation) and include tax revenue on top of that. She stated she is open to reclassifying some CIP projects to other funds. She would like to see a more conservative approach as to how we classify things as capital costs. She is also open to a transfer from the capital fund if needed.

Mayor Pro Tem Lipton agreed with Councilmembers Maloney and Stolzmann, we should see what can be postponed. He stated it is always tempting to add more and fund it from the Open Space & Parks Fund, but now it is clear the General Fund is the backstop to the Open Space & Parks Fund. We need to have all the projects compete equally and we need a new methodology on this.

Mayor Muckle agreed with the comments. He reminded everyone the operating expenditures shown here are decisions we made; this is the budget we approved. These are not new costs we weren't anticipating. He agreed the tax was never designed to cover all of parks and open space expenditures; it was meant to supplement the General Fund. We were always spending a lot of General Fund on open space and parks, and never intended otherwise until the recession. He stated there was an assumption we would always undue that when we could afford to do so. He supported the suggestion of an ongoing payment for operations and maintenance out of the General Fund.

Mayor Muckle supports keeping capital the way it is and using the 2007 numbers (adjusted for inflation) to support operational costs without a Capital Fund transfer.

Councilmember Stolzmann supports this and also looking at what capital projects might be reclassified.

Councilmember Loo asked if the idea is for all capital projects to compete together. Councilmember Stolzmann stated yes except for a few that are specific to the Open Space & Parks Fund.

Mayor Muckle stated he was still not sure what effect this will have on the Capital Fund and asked does City Council want to take every capital project out of the parks fund or have a threshold for large projects to remove. He suggested we need defined principals/policy to determine what is paid from which fund.

Councilmember Keany clarified that in this plan the Open Space & Parks Fund would be mainly used for open space and parks operational and the capital would compete in the Capital Fund with the rest of the city's projects. Councilmember Keany asked how trails would be handled.

Mayor Muckle stated he doesn't think we need to define it so specifically.

Councilmember Stolzmann stated she would like a more specific view of what capital projects really qualify for the Open Space & Parks Fund. She would like a policy and parameters on how to fund these. Interim City Manager Balser stated staff will make a recommendation on that for the 2019 budget.

Interim City Manager Balser asked if Council wants to make changes for 2018 or wait until the 2019/2020 budget process. Director Watson stated for 2018 the numbers are fine and the minimum fund balance is met.

Mayor Muckle stated he would like to start in 2018.

Councilmember Stolzmann asked if we can afford to start using this plan (using the 2007 trended number as a base for funding) in 2018. Director Watson said yes, but it will have an impact. It would put pressure on the Capital Fund. Staff will try to make sure recurring operational costs compete against other operational costs and capital competes against capital.

Interim City Manager Balser asked what they would like to do for 2018.

Councilmember Stolzmann suggested a transfer from General Fund for 2018 based on 2007 numbers and reclassify the Highway 42 underpass to the Capital Fund. Mayor Muckle seconded.

Councilmember Maloney asked what the General Fund transfer would be. Director Watson if would be approximately \$864K. Interim City Manager Balser stated if you also transfer the underpass to the Capital Fund that will change the numbers also.

There was consensus to put this plan in the budget and run the numbers to see how it affects the entire budget. Staff will bring this plan as a part of the 2018 budget for discussion on October 17.

OPEN SPACE & PARKS FUND RESERVE POLICY

Director Watson reviewed the current policy for fund minimum balance and other options:

- Option 1: The targeted fund balance is defined as the minimum fund balance plus cost of acquiring the three highest priority parcels (current policy) valued at \$49,000/acre. This calculation defines the current target at \$1.3 million assuming equal partners in purchases.
- Option 1(a): The targeted fund balance is defined as the minimum fund balance plus cost of acquiring the three highest priority parcels (current policy) valued at Assessor's actual value. This calculation defines the current target at \$2.2 million assuming equal partners.
- Option 2: The targeted fund balance is defined as the minimum fund balance plus cost of acquiring the largest remaining priority candidate parcel valued at \$49,000/acre. This calculation defines the current target at \$2.2 million assuming equal partners.

- Option 3: The concept of a targeted fund balance is removed altogether and the Open Space & Parks Fund operates only under a minimum fund balance policy. The minimum fund balance is approximately \$369,000 for 2018.

Director Watson stated we aren't going to meet the target fund balance. We simply need a plan as to how to get to that target and how fast.

Mayor Pro Tem Lipton stated he would like an option that is not so arbitrary. Given the challenges we have for next fiscal year we shouldn't adopt any option. If a property becomes available, we can fund it from General Fund; we shouldn't sit on money if we can spend it on a project. He stated he doesn't want fund balances sitting there in savings if projects are simply going to cost more later; we don't want to have idle reserves.

Mayor Muckle stated we need to have some money saved if a purchase option becomes available. It makes sense to have a policy but don't need to meet it immediately; this is something to shoot for.

Councilmember Loo stated with a healthy reserve in the General Fund we don't need to have a huge amount of money sitting unused in the Open Space & Parks Fund. We have the flexibility of having the money in the Capital Fund reserve or General Fund reserve. She was concerned that once money is in the Open Space & Parks Fund it can't be used for anything else.

Councilmember Loo is fine with a piggy back of savings up to \$1-2M but doesn't want to have millions of dollars sitting there that we can't use for other projects.

Mayor Muckle supports \$1-2M in reserves, but not growing it above that.

Councilmember Maloney would like to put a bound on the fund balance. He stated Option 1a is a realistic bound and if it is in excess of that we should lower the General Fund transfer. But we need a down payment on this savings.

Mayor Muckle would like to set a goal and take a few years to get to it.

Discussion was to get to a \$1.2M reserve that would cover the 15% minimum and have some available for acquisition. This would be funded by the tax revenue.

Mayor Pro Tem Lipton asked how this affects capital projects. Members agreed any transfer to the Open Space & Parks Fund for this reserve would compete with other capital projects.

Members agreed to a reserve of \$369K - \$1.2M and no money committed to this in 2018. For the next budget cycle we can see what the new model for operational

expanses generates and we think that will fund the new reserve amount in about three years.

Staff will provide a policy change for this during the 2019/2020 budget discussion and Council will discuss next year how to build the reserve more specifically.

Public Comments

Steve Anderson asked how increased operational costs for new purchases are accounted for in out-year operational budgets. Director Stevens stated the recent purchase of the Mayhoffer property will be reflected in 2018 budget. Generally we review operational costs every time new properties are purchased.

Helen Moshak asked if three years is a reasonable time to build up the balance. Interim City Manager Balser stated we will see how the numbers come out with the new operational model. Moshak urged Council to put a schedule in place.

Councilmember Keany noted if a property is available and everyone agrees on it, the Council will find a way to pay for it and make adjustments as needed.

Mayor Muckle would like to keep some reserves on hand for bad times.

ADJOURN

Members adjourned the meeting at 7:15 pm.

Robert P. Muckle, Mayor

Meredyth Muth, City Clerk